SUBJECT:	FIM NUMBER:
BANKS ACCOUNTS OUTSIDE OF THE CENTRALIZED STATE TREASURY SYSTEM ESTABLISHING, ACCOUNTING AND RECONCILING	**2002-07**
REFERENCES:	**DATE: December 5, 2002**
STATE ADMINISTRATIVE MANUAL SECTIONS 7900,7967,7975, 8001.1, 8001.5, 8002, 8030, 8031, 8032.1 - .4, 8111,8140, 8160,8171 - 72, 19462 FINANCIAL INFORMATION MEMO 2000-06	

DISTRIBUTION

Executive Staff
Wardens
Associate Wardens, Business Services
Institution Accounting Offices
Regional Accounting Office Managers
Regional Accounting Liaisons

PURPOSE

This Financial Information Memo (FIM) provides the California Department of Corrections Regional Accounting Offices (RAOs) and institution Fund Custodians procedures to establish and maintain a bank account outside the Centralized State Treasury System. The attached procedures define staff responsibilities and establish internal controls to safeguard the funds within Department of Corrections' facilities.

BACKGROUND

Some Institutions have recently received notifications from local banks that the Institutions will no longer be able to receive over the counter services for accounts not established within that branch. The primary over the counter service used by Institutions is cashing replenishment checks for the Inmate Release and Petty Cash funds. Local banks consider cashing replenishment checks for CDC as "short term" loans and are unwilling to perform this service without the ability to charge for services as they do with any other customer.

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DISCUSSION

RAOs request accounts outside the Centralized State Treasury System through a written request to the Chief, Fiscal Systems and Consulting Unit, Department of Finance. The request must be from the, Deputy Director, Financial Services Division, Department of Corrections.

ACTION REQUIRED

When Institutions are notified by their local bank that services will no longer be provided without a bank account, they must immediately notify their Regional Accounting Administrator.

The attached procedure identifies the events that must occur at the Institutions and the RAO's to establish these accounts and maintain them in order to safeguard the States assets.

If you have further questions regarding this FIM, please contact your Regional Accounting Office Liaison.

WENDY STILL
Deputy Director
Financial Services Division

Attachments

cc: Institution Regional Administrators
        Regional Accounting Administrators
        Accounting Policies and Procedures
        Accounting Management Branch

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CHANGE ORDER FLOW CHART
FOR THE INSTITUTION ACCOUNTING OFFICE

Whenever necessary (Daily/Weekly)

**Institution Accounting Office (IAO)
receives notification of inmates to be
released by CDC102 forms (Inmate
Release Statements). Each form
indicates inmate funds from State funds
($200.00) and/or Trust funds
(Inmates account balance)**

**Funds are prepared for
disbursement for the
total due to inmate for
the State, Trust portion,
stated on CDC102, and
released to inmate**
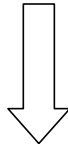
**Send to Regional Accounting
Office:**

1. **Completed CDC102's**
2. **Report of Cash Payment Fund
   (Use Attachment D)**
3. **Customer Order Form furnished
   by the approved bank
   (See attached sample copy)**

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PROCEDURES FOR ACCOUNTS OUTSIDE THE STATE TREASURY

I. What needs to be done before sending a request to obtain approval to open an account outside of the centralized State Treasury System:

❑ Regional Accounting Office (RAO) needs to prepare Service and Expense (S & E) Order for bank depositors. Bank charges should not exceed $4,999.99 per year. (If S & E is $5,000.00 or above, follow instructions located on website: http://Intranet/contract/contract_info.htm to initiate a contract) An S & E will be used in the interim.

- Bid process required (Collect 3 bids). Bids are required for an S & E along with Scope of Service, (**See sample copy – <u>Attachment A</u> – Scope of Service**) even if bank charges don't exceed $4,999.99. Proposed Contractors bids, should include a Proposed Fee Schedule (**See sample copy – Attachment B**) that must contain:
  - ✓ Type of service
  - ✓ Estimated volume
  - ✓ Unit Fee
  - ✓ Estimated monthly fee for each service

  The Fee Schedule (Fees based on submitted estimated volume, from analysis on previous change order usage) should be submitted along with scope of service to Contracts Management Branch.
- Once all bids are received, complete S & E Order Request (CDC1852) located website: http://Intranet/contract/service_and_expense.htm
- RAO Management will evaluate all bids, if all bids exceed $5,000.00, the RAO Administrator should be contacted before seeking approval of account.
- If a contract is needed, submit **all documentation** to Contract Management Branch so they may start on contract pending DOF approval
- Bank account fees should be invoiced only, not debited to account.
- If account is interest bearing, interest earned must be deducted from bank fees due on a monthly basis.
- Bank account must have ability to add more institutions within RAO if needed and have sub-account #'s within account.
- Change Orders with the use of a Personal Identification Number (PIN) should be able to be:
  - ✓ Called in,
  - ✓ Ordered through the Internet, or
  - ✓ Faxed.
- Ask about Automated Teller Machine (ATM) deposits (Can RAO make if necessary). **Account must block any withdrawals and block any other accounts erroneously credited when using approved pin#.**
- The bank will select the appropriate vault that will deliver to local bank nearest to the State Prisons. The change order request will be picked-up by Prison from the local bank. If bank courier is available, more efficient and economical to the State, Bank will deliver change order request directly to the State Prisons.

II. RAO obtains approval to open an account outside of the centralized State Treasury System:

- ❑ Prepare a letter for request to open account **(See sample copy – <u>Attachment C</u>)**

    - Send to Administrator, Regional Accounting:
        - ✓ Carol Gardemal, Southern Region
        - ✓ Tim Gilpin, Northern Region.

    - Who in turn will forward to Chief Financial Officer – Office of Financial Management;
        - ✓ Wendy Still
    - Who in turn will forward to Department of Finance, Fiscal Systems and Consulting Unit;
        - ✓ Chief: Marian Wong

III. Once approval has been received from Department of Finance:

- ❑ Submit the following to Contract Management Branch;
    - ✓ Bids/Bidders list
    - ✓ S & E (Terms of Service – **" Upon Approval")**
    - ✓ Scope of Service
    - ✓ Fee Schedule of the awarded contractor

- ❑ Initial Set-up of bank account
    - The bank will establish change order account and provide all necessary pin #'s along with bank procedures to be followed by the RAO and Institution Accounting Office (IAO).

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- **Begin process with the next reimbursement check request from IAO**

EXAMPLE: IAO CUSTODIAN FUND AMOUNT $15,000.00
Follow through two weeks of transactions

*NOTE: BANK BALANCE THAT IS A RESULT OF CHANGE ORDER WITHDRAWALS (ROUNDING) SHOULD NOT EXCEED $5.00. TO RESOLVE THE DIFFRECNCES, ROUND UP FUTURE CHANGE ORDER REQUESTS TO LOWER OUTSTANDING AMOUNT. THIS AMOUNT ALSO IS TRACKED ON THE DAILY RECONCILIATION FOR THE CASH PAYMENT FUND.

Column	A	B	C	D	E	F	G	H
Formula	(A-B+E)					(B+C)	(G+D-E)	(A+F+G)
			Projected Cash Flow					
	IAO Balance Cashiers	In Transit To R&R	From R&R	To RAO To Bank	To Cash Box	In Transit	Bank Balance	Fund Balance
	$15,000.00	(CDC102's)	(CDC102's)	(Req./Dep.)	(Chg. Order)		$ -	$15,000.00
Monday	$13,299.11	$ 1,700.89				$ 1,700.89	$ -	$15,000.00
Tuesday	$11,698.28	$ 1,600.83	$ 1,700.89			$ 3,301.72	$ -	$15,000.00
Wednesday	$ 9,895.78	$ 1,802.50	$ 1,600.83	$ 1,700.89		$ 3,403.33	$ 1,700.89	$15,000.00
Thursday	$10,395.78	$ 1,200.00	$ 1,802.50	$ 1,600.83	$ 1,700.00	$ 3,002.50	$ 1,601.72	$15,000.00
Friday	$ 8,238.56	$ 3,758.22	$ 1,200.00	$ 1,802.50	$ 1,601.00	$ 4,958.22	$ 1,803.22	$15,000.00
Saturday	$ 8,238.56					$ 4,958.22	$ 1,803.22	$15,000.00
Sunday	$ 8,238.56					$ 4,958.22	$ 1,803.22	$15,000.00
Monday	$ 8,441.56	$ 1,600.00	$ 3,758.22	$ 1,200.00	$ 1,803.00	$ 5,358.22	$ 1,200.22	$15,000.00
Tuesday	$ 7,487.67	$ 2,153.89	$ 1,600.00	$ 3,758.22	$ 1,200.00	$ 3,753.89	$ 3,758.44	$15,000.00
Wednesday	$11,245.67		$ 2,153.89	$ 1,600.00	$ 3,758.00	$ 2,153.89	$ 1,600.44	$15,000.00
Thursday	$12,845.67			$ 2,153.89	$ 1,600.00	$ -	$ 2,154.33	$15,000.00
Friday	$14,999.67				$ 2,154.00	$ -	$ 0.33	$15,000.00

IV. Steps IAO takes once the bank account has been opened:

- ❑ Disburse Inmate Releases in accordance with current procedures.
- ❑ Prepare Daily Reconciliation (Report of Cash Payment Fund).
  (See form – <u>Attachment D & D1</u> used for more entries – see sample)
   This will replace form used in FIM2000-6
- ❑ Request reimbursement from RAO & Trust (Trust will send reimbursement to RAO). Reimbursement check from Trust Office should be processed and forwarded the same day as the reimbursement request by IAO. The trust check will be deposited directly into the change order account by RAO.
  (See form – Attachment D/D1 – see sample)
- ❑ Receive notification from RAO that reimbursement has been made and deposited in account
- ❑ IAO request change order by interagency mail to RAO. Daily if needed.
- ***Bank will only accept whole dollar orders. (See bank sample copy – Exhibit A)***
  - ✓ Change Order should be prepared and sent same time as reimbursement check request.
  - ✓ Attach all documentation that will validate amount requested
  (Change Order Request, Inmate Release Statements (CDC102's) and Daily reconciliation)

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- ❑ When IAO receives change order:
  IAO will do a cursory verification through the plastic bag before courier leaves
  - ✓ After opening the change order bag, a verification will be performed under double custody
  - ✓ All change order discrepancies must be reported to supervisor and bank immediately. Follow banks instructions for overages and shortages. If the bank resolves the discrepancy, there is no need to complete ***proposed form – Attachment F. If the Bank notifies IAO that the change order was correct, at that time IAO will follow SAM 8071.***
  - ✓ All change order discrepancies that are not resolved by bank, must be reported to supervisor immediately and proposed form needs to be completed and sent to RAO. ***(See form – Attachment F)***
- ❑ Maintain monthly analysis worksheet: (Optional)
  - ✓ This worksheet is used to list all deposits, change orders; change order differences, bank fees, interest earned and net fees due on a monthly basis. This will help IAO/RAO track any discrepancies that may occur once bank statement is received and reconciliation is performed by RAO.
    (See form – Attachment G)

V. Steps RAO will take once reimbursement and/or change order is received from IAO:

- ❑ RAO prepares check for reimbursement:
  - ✓ Reimbursement check and deposit must be done same day. ***(See Attachment E – optional posting tag used to record check request and reimbursement batch)***
  - ✓ Checks must be made payable to bank account number along with institution name.
  - ✓ Check will be endorsed with a preprinted stamp that will include bank name, account number and name of institution.
  - ✓ Check will be deposited by courier or RAO personnel.
- ❑ Notify IAO that reimbursement check has been made and deposited in account
  - ✓ Must give a date and amount of deposit
- ❑ RAO will call in the change order same day received after verifying the following:
  - ✓ Bank has confirmed funds are available for withdrawal.
    (Early withdrawal can result in "loan" fees payable from the RAO budget).
  - ✓ RAO must verify Report of Cash Payment Fund reconciliation ***(Attachment D/D1)***
    (Fund must be in balance before requesting change order).
    Change Order account under no circumstance can be overdrawn.
  - ✓ RAO must review Inmate Release Change Order Request Form ***(See bank sample copy- Example A)*** *(Request form must be fully completed before placing order).*
  - ✓ No "Standing" change orders allowed.
    (Must be as close as possible to bank balance without overdrawing account).
- ❑ Notify IAO that change order has been requested.
  - ✓ Must give delivery date and amount.

Change Cash Fund ---Accounting and Reconciling
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- ❑ Maintain monthly analysis worksheet:
  - ✓ This worksheet is used to list all deposits, change orders; change order differences, interest earned and bank fees on a monthly basis. This will help IAO/RAO track any discrepancies that may occur once bank statement is received and reconciliation is performed by RAO.

    *(See form – **Attachment G**)*
- ❑ Reconcile change order bank account:
  - ✓ When bank statement is received, use monthly analysis worksheet to reconcile

    *(See form – **Attachment H**)*

VI. Fees for the Change Order account:

- ❑ Invoices will be sent to:
  Headquarters Accounting /Accounts Payable (HQ)
  P.O. Box 187018
  Sacramento, CA 95818-7018
- ❑ HQ will send invoices to appropriate RAO staff for approval.
- ❑ RAO personnel will review and approve invoices and send back to HQ.
- ❑ HQ will process payment (Any interest earned will be deducted from invoices outstanding).

In addition, you are advised of the year-end reporting requirements for the above account as set forth in SAM Sections 7975 and 19462. A Report of Bank/Savings and loan Association Account Outside the Treasury (Report No. 14) must be sent to the State Controller's Office and the State Treasurer's Office (STO).

ATTACHMENTS/SAMPLES:

(A) – Scope of Service
(B) – Proposed Fee Schedule
(C) - Request for Approval of Account Outside of the Centralized State Treasury System Memo
(D) - Report of Cash Payment Fund/Daily Reconciliation
(D1) Report of Cash Payment Fund/Daily Reconciliation Supplemental Form
(Ex. A) Bank Customer Order Form
(E) - Revolving Fund Reimbursement Check Request for Inmate Releases – Posting Tag
   (Reimbursement Form)
(F) – Change Order Discrepancy Log
(G) – Monthly Analysis Worksheet
(H) – Reconciliation Sheet

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